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SMART NEWS

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A Bi-monthly e-bulletin of the Massachusetts Deferred Compensation SMART Plan

Highlights of this issue include:

- Message from the Director, Assistant Director, Deferred Compensation
- Join the SMART Plan: Online Access
- SMART Retirement and Beyond
- Plan Participant Testimonial
- Tips and Approaches

Message from the Director, Deferred Compensation

Put time on your Side

Some of the most common reasons I hear from employees who have decided not to join the SMART Plan are: "I can't afford to join" or "I'm too young to be thinking of retirement." I would strongly argue against both of these views. When I graduated from college, my starting salary was \$17,000 and I felt the exact same way as many current employees. How do you save for retirement and have anything left to live on?

The answer is simple: **Put the power of tax-deferred savings and time on your side.** By starting your retirement savings early, you will greatly increase the impact that your deferral will have over a 25, 30 or 40 year savings horizon. Further, because your deferral is tax deferred, the actual impact on your net pay is reduced. An annual deferral of \$2,000 per year would affect your net pay by approximately \$1,600 or \$61.00 per pay cycle (assuming a bi-weekly pay cycle).

Consider the following scenario: If you begin saving for retirement at 25, putting away \$2,000 a year for 40 years, you'll have around \$560,000, assuming earnings grow at 8 percent annually. Now, let's say you wait until you're 35 to start saving. You put away the same \$2,000 a year, but for three decades instead, and earnings grow at 8 percent a year. When you're 65, you'll wind up with around \$245,000 — less than half the money.¹ Save a little now and you may reap the rewards later.

1. This scenario was provided by Bankrate.com for illustrative purposes only.

David Lynch

Message from the Assistant Director, Deferred Compensation

Fitting Honor in recognition of Exemplary Customer Service



Here at the SMART Plan, we are impressed with the many talented, knowledgeable and professional SMART plan representatives that serve our membership. A few weeks ago, I had the opportunity to present a fittingly deserving citation to Linda Graham during a recent Great West Retirement Service staff meeting.

Robert Young with Linda Graham, both of Great West Retirement Service

The award was in recognition of her "outstanding knowledge, expertise and unparalleled service to the SMART Plan's Retirement Education Program." Linda works in the Springfield office.

Her dedication, knowledge and comprehensive customer service exemplifies what the entire staff at the SMART Plan strives for daily across our entire operation. We work hard to protect our participants' retirement investments and to provide high quality investment options.

I am pleased to share her achievement with all of you as we continue to focus on the needs of our participants and to continue building on a successful track record with new initiatives and unparalleled customer service.

Michael Dear

Plan Participant Testimonial

In this issue we feature Donald, a SMART Plan member and employee at the Department of Environmental Protection.

"Because of the Deferred Compensation program, I was able to max out my contribution, lower my yearly income tax and provide a greater nest egg for retirement. As a result, I plan to retire in less than two years. The money I invested in my SMART plan account and the earnings it has accrued through the years will allow my wife and me to lead a virtually worry-free retirement. Need I say more?"

Donald from DEP

Join the Massachusetts Deferred Compensation SMART Plan today!

Whether you've been employed for years or are a new state or municipal employee, put the Massachusetts Deferred Compensation SMART Plan to work for you. Enroll online today at www.mass-smart.com, or call 877-457-1900 to speak with a Plan Representative.

Online Access /Updates

Have you checked your SMART Plan account online lately? If not, we encourage you to access your account at www.mass-smart.com to review your investment options. While online, take a moment to review all the planning resources available to you through your online account.

Tips and Approaches

Switch from a dollar to a percentage deferral

Ever wonder how effortless it would be to increase your savings deferrals?

By electing a percentage deferral rather than a flat dollar deferral your saving contribution will automatically increase as your salary rises. By increasing your SMART Plan deferrals with each increase in salary, you will put yourself in a better position to reach your retirement saving goals

Asset Allocation – Balancing Financial Risk

Arguably, the most important decision any participant can make after considering a retirement income program is proper asset allocation. If you understand how portfolios are designed, as well as their benefits and downsides, you will be better able to choose the best allocation percentages for your retirement portfolio.

The Advantages of proper Asset Allocation

1. *Invest in the appropriate mix of the three asset classes* (stocks, bonds, cash equivalents). Your choice of asset allocations should reflect a balance between your overall savings goals, life stage and appetite for risk.

2. *Rebalance annually* to keep your portfolio mix in proper balance. Over time, certain asset classes or allocations are likely to perform better than others, causing your portfolio to become unbalanced in favor of the well-performing assets. The act of rebalancing restores your portfolio to its initial asset allocation arrangement.

3. *Diversifying your portfolio* is a tested and tried method for appropriately managing your retirement savings. Through diversification, one buys a variety of securities within each asset investment type. This asset diversity means that you are not subject to a change in just one type of investment or one market sector's success.

Regardless of how you do it, it won't take long to build a portfolio that may ride out the market's ups and downs.

SMART Retirement and Beyond

Join us for one of the upcoming SMART Retirement & Beyond planning seminars for Massachusetts state employees, sponsored by Treasurer Steven Grossman, the State Board of Retirement and the Massachusetts Deferred Compensation SMART Plan.

The seminars are designed to provide you with the information and tools needed to help you achieve a financially secure retirement. Representatives from the Group Insurance Commission will be on hand to answer questions.

For additional information, visit www.mass-smart.com.

To register for any of the SMART Retirement and Beyond seminars listed, visit www.mass.gov/treasury/financial-education/smart-retire-beyond/smart-retirement-and-beyond.html

Please forward this bulletin to anyone who might be interested in receiving it or may have been omitted from this mailing.

Share your Story. Send us Your Feedback or Testimonial **Has the SMART Plan made a difference in how you see your retirement?**

If you are an active SMART Plan member and wish to take part in future Plan Participant Testimonials, send us your email. We would love to know what you think! Please let us know if you have any comments or questions about any of these articles or the bulletin in general. Email us at smartplan@tre.state.ma.us